Office-Supreme Court, U.S.
FILED
JUL 19 19[illegible]
JAMES R. BR[illegible], Clerk

IN THE

Supreme Court of the United States

October Term, 1961.

No. 170.

E. F. DREW & CO., INC.,

Petitioner,

v.

HARTFORD NATIONAL BANK AND TRUST COMPANY, TRUSTEE, and PHILIPS LABORATORIES, INC.,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

CONNOLLY, BOVE & LODGE,
Beneficial Building,
Wilmington 99, Delaware,
Attorneys for Respondents.

Of Counsel:
ARTHUR G. CONNOLLY,
JANUAR D. BOVE, JR.

International, 711 So. 50th St., Phila. 43, Pa.

TABLE OF CONTENTS.

	Page
COUNTER-STATEMENT OF THE QUESTION PRESENTED	1
ERRORS IN PETITIONER'S STATEMENT	2
ARGUMENT	5
1. The Court Below Has Not Decided an Important Question of Federal Law But Has Merely Made an Award of General Damages by Properly Exercising Its Discretion Based Upon the Facts of the Case	5
2. The Decision Below Does Not Conflict, "in Principle" or Otherwise, With the Decisions of Any Other Court of Appeals	6
CONCLUSION	7

TABLE OF AUTHORITIES.

Cases.

	Page
Faulkner v. Gibbs, 199 F. 2d 635 (9 Cir. 1952)	3, 6
Livesay Window Co., Inc. v. Livesay Industries, 251 F. 2d 469, 472 (5 Cir. 1958)	5, 6
Cold Metal Process Co. v. E. W. Bliss Co., 285 F. 2d 231 (6 Cir. 1960) cert. den. 366 U. S. 911 (1961)	6

Other.

	Page
Cong. Rec. 98, 9097 (1952)	6
H. R. Rep. No. 1923, 82d Cong. 2d Sess. 10 (1952)	6
S. Rep. No. 1979, 82d Cong. 2d Sess. 9 (1952)	6

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1961.

No. 170.

E. F. DREW & CO., INC.,

Petitioner,

v.

HARTFORD NATIONAL BANK AND TRUST COMPANY, TRUSTEE, AND PHILIPS LABORATORIES, INC.,

Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

COUNTER-STATEMENT OF THE QUESTION PRESENTED.

Should this Court review a damage award in a patent infringement case, where the award was based upon the application of long-established legal principles to findings of fact made by the trial judge, and it is undisputed that these findings are fully supported by the evidence?

ERRORS IN PETITIONER'S STATEMENT.

Petitioner's Statement (pp. 2-11) omits several key findings, the inclusion of which would have destroyed the tenuous basis upon which it seeks a review of the decision below.

For example, petitioner omits the finding, based upon the testimony of its chief executive, that its sales of products containing vitamin D_3, amounting to $3,580,824.63, "resulted because of the vitamin D_3" (p. 36). And it omits the finding that its profits on these sales were "between $685,818.90 and $1,289,096.87" (p. 33).

In the absence of these findings, petitioner seeks to create the impression that the award of damages below, in the amount of $274,082.00, constituted the recovery of all "the benefits, profits, and advantages gained by an infringer" (p. 12).

Petitioner also omits the finding that any award in this case which is based on established royalties would be inadequate because it overlooks "a fact of economic life that an open infringement tends to reduce a patentee's fees from its subsequent licensees who must meet the infringer's competition, and such infringement deters potential licensees from taking a license" (pp. 36-37). The record shows that respondents reduced their royalty rates on all six outstanding licenses under the patent in suit several times during the course of petitioner's infringing activities (p. 47a).[1]

In the absence of these findings petitioner seeks to create the impression that the only proper measure of damages was the royalty provided for in respondents' licenses to others—i.e., having severely curtailed such royalty income by its infringing activities, petitioner now insists that it can take advantage of the drastically reduced

1. Page numbers followed by "a" refers to Respondents' Appendix before the Court of Appeals.

rates for which it was largely responsible, and ignore the loss of income from other licensees.

Petitioner also omits the finding that its infringement was "wilful", or, at the least "so grossly in disregard of the rights of plaintiff as to amount to wilfulness" (p. 25). And it omits the finding that its accounting records were incomplete, erroneous, and unreliable (pp. 33-34).

Petitioner intimates (p. 4) that respondents proved only damages of $48,769.59 computed on the basis of reasonable royalties. In fact, the record shows that respondents proved their damages based on reasonable royalties might vary widely, depending upon the findings of fact (p. 39a). One of these figures was $358,082 arrived at by taking 10% of petitioner's sales of $3,580,824.63. The implication of petitioner's statement (p. 4) is clearly not in conformity with the facts.

In support of its argument that the District Court's award is too severe (pp. 8-10), petitioner relies heavily upon a table which it has concocted without adequate record support (p. 9). The key premise of this table is the second column, which includes figures not found in the record of this case. Moreover, this table omits a showing of petitioner's profits of "between $685,818.90 and $1,289,096.87" (p. 33). In short, this tabulation is subject to many of the criticisms which the District Court made of petitioner's erroneous and unreliable accounting records in this proceeding (pp. 33-34).

Contrary to petitioner's assertions, the award of damages below was *not* based on any new or erroneous legal concepts—and it does *not* conflict with decisions of the Courts of Appeal for other circuits, but actually refers to and applies the very principles set forth in such decisions.

The courts below properly held that an award of damages based on a reasonable royalty "represents the amount one would pay for the use of the patent as a business proposition, after evaluating the novelty of the invention, its utility and advantages" citing *Foulkner v. Gibbs*, 199 F. 2d

635 (9 Cir. 1952), a leading case, by the Court of Appeals for the 9th Circuit (p. 32). As *one* factor in determining damages, the District Court considered petitioner's profits, because, as noted above, the unchallenged findings of fact established that *all* these profits were attributable to the inclusion of vitamin D_3 made by the infringing process in petitioner's products.

Contrary to petitioner's intimations, respondents' damages were not equated with petitioner's profits, and in fact such damages were but a minor fraction of the profits which petitioner actually obtained by wilfully infringing the patent at bar. In addition to the element of profits, the District Court also considered many other elements based upon the unchallenged facts of record, in arriving at a determination of respondents' damages.

ARGUMENT.

1. The Court Below Has Not Decided an Important Question of Federal Law But Has Merely Made an Award of General Damages by Properly Exercising Its Discretion Based Upon the Facts of the Case.

Petitioner's attempt to conjure a legal issue for review is based upon several erroneous premises. First, while respondents initially sought to recover petitioner's profits arising from the infringement of the patent at bar, the trial court rejected this claim and instead awarded damages based upon a reasonable royalty. Thus, it is clear that the trial court did not award damages based upon petitioner's ill-gotten gains as the entire petition assumes.

Second, petitioner argues that patent infringers must be able to accurately assess their risk so as to be able to determine whether or not to continue their wrongful course of conduct (p. 14). In some vague way, it theorizes that the entire patent system will benefit by such mental arithmetic, if the calculations can be made fool-proof. A complete answer is furnished, not only by common sense, but also by a case heavily relied upon by petitioner for a different purpose, wherein it was held that the consequences of an inability to demonstrate such a loss with scientific accuracy is a risk assumed by the patent infringer, like any other wrongdoer, *Livesay Window Co., Inc. v. Livesay Industries*, 251 F. 2d 469, 472 (5 Cir. 1958). The trial court recognized this logical and legal principle (p. 30).

Even if we accept these erroneous premises as accurate, petitioner could not be more wrong in concluding that the measure of damages in patent infringement actions is in doubt. Under all versions of the statute mentioned by petitioner (pp. 15-17), the courts have followed well-established rules in ascertaining damages in patent infringement actions. And it is clear that the measure of damages used in each case will depend upon the applications of such rules to the particular facts and circumstances of that case. The

controlling principles were all submitted to the trial judge who carefully reviewed them, reached the same conclusion, and supported his opinion with citations to the leading cases (pp. 29-38).

The 1952 codification of the patent law made no substantive changes in the prior provisions relating to recovery,[2] as set forth in the 1946 amendment (35 U. S. C. § 70), so the law on this subject remains "long-settled" as held in *Faulkner v. Gibbs*, 199 F. 2d 635 (9 Cir. 1952). Petitioner's quotation from the *Livesay* case shows that profits as such cannot be recovered under the present statute (p. 18), and the courts below followed this principle. We submit that petitioner is merely shadow boxing and even the shadow, whether or not profits (petitioner's gains) are recoverable as damages for patent infringement, is not present in the case *sub judice*.

2. The Decision Below Does Not Conflict, "in Principle" or Otherwise, With the Decisions of Any Other Court of Appeals.

Petitioner asserts that the decision below conflicts "in principle" with the *Livesay* case, 251 F. 2d 469 (5 Cir. 1958) and the *Cold Metal* case, 285 F. 2d 231 (6 Cir. 1960), cert. den. 366 U. S. 911 (1961). For the reasons mentioned previously, the decision below is in complete accord with both *Livesay* and *Cold Metal*. Petitioner cannot torture the record in this proceeding to produce a conflict with either of these cases. In *Cold Metal* (285 F. 2d at page 241), the court limited recovery to lost royalties because of the special circumstances of that case, which were readily distinguishable from the case at bar, but it recognized that damages for patent infringement could exceed existing royalties in a proper case. In *Livesay* (251 F. 2d at page 472), the court allowed the patentee's lost profits as the measure of damages. Both of these holdings are entirely consistent with the decisions below.

---

2. S. Rep. No. 1979, 82d Cong., 2d Sess. 9 (1952); H. R. Rep. No. 1923, 82d Cong., 2d Sess. 10 (1952); 98 Cong. Rec. 9097 (1952).

CONCLUSION.

This case presents no legal issues, since it involves only the routine application of well-settled principles to unchallenged findings of fact. Petitioner is disappointed with these findings, but can find no basis to attack them, so it seeks to create a non-existent legal controversy to justify a review of the case by this Court.

The petition is lacking in merit and should be denied.

Respectfully submitted,

ARTHUR G. CONNOLLY,
JANUAR D. BOSE, JR.,
CONNOLLY, BOVE & LODGE,
Counsel for Respondents.